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FM AMEMBASSY MAPUTO
TO RUEHC/SECSTATE WASHDC 0593
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLO/AMEMBASSY LONDON 0452
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 MAPUTO 000896

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: EIND EINV EINT PGOV ETRD MZ SF
SUBJECT: ONE-STOP BORDER: PROJECT BETWEEN MOZAMBIQUE AND S. AFRICA DELAYED

This cable is a collaboration between Embassy Maputo and Embassy Pretoria and is part of a series of reporting on regional transport infrastructure developments.

¶1. (SBU) Summary: Econoff met with officials at the Government of Mozambique (GRM) on May 28 and the South African Revenue Service on July 2 to discuss the status of a joint one-stop border project between Mozambique and South Africa. Plans to create a 24-hour, one-stop border were signed in 2007, but construction has been delayed due to the global economic downturn and changes in the leadership in the South African Government (SAG). Stakeholders from both governments met on July 10 to reiterate their commitment to the project, but their respective economic and political priorities differ greatly. End Summary.

Genesis of Project

¶2. (SBU) Discussions to create a 24-hour, one-stop border at Ressano Garcia between Mozambique and South Africa to handle increasing trade and tourism flows started in 1997. A Heads of State Agreement outlining a construction deadline of March 2010 was signed in September 2007. The original intent was for the project to be completed well in advance of the June 2010 FIFA World Cup, which is expected to boost trade and tourism activities in the region. The South African Government (SAG) originally earmarked R600 million ($74 million) to fund the project. The Government of Mozambique (GRM) could not offer much financial support, but has pledged land and facilities for the initiative.

Project Expected to Reduce Congestion

¶3. (SBU) Barbara Mommen, CEO of the public-private Maputo Corridor Logistics Initiative, told the South African press that the existing border post was not designed to handle the current load and the new project would "go a long way towards addressing both the infrastructure, processing, and congestion constraints." In 2005, the two countries eliminated visa requirements and passenger flows have increased 80 percent since then. The current infrastructure is inadequate to handle this dramatic increase. Passenger flows also tend to rise dramatically during the Easter and Christmas holiday seasons and are expected to do so during the 2010 World Cup. During the Christmas holidays, over 500,000 passengers crossed the border.

¶4. (SBU) The new one-stop border post will include three separate facilities to process tourists/passengers, rail cargo, and commercial cargo. It will be built to ensure that there is enough space for the movement of both passengers and

freight trucks, which will improve the current situation where freight trucks block the roads through the border, leading to long passenger and freight delays. Cargo traffic will be processed at a site four kilometers inside the Mozambican border known as KM4. The relevant border authorities from South Africa and Mozambique will manage this site to ensure that documentation processing is efficient and user-friendly. Documentation processing by the two countries' respective customs and immigration departments is currently inconsistent, repetitive and adds to congestion.

Economic Downturn Threatens Progress

¶5. (SBU) The new SAG leadership decided to reduce its financial contributions for the one-stop border project after the South African national elections in April 2009. SAG leadership cited the economic recession and escalating costs for required domestic World Cup preparations (stadium construction and public transport upgrades) as the cause for this decision. SAG officials are now calling for a phased approach for the one-stop border project. SAG can currently contribute only R366 million ($45 million), which means that both countries will have to raise the rest of the funds from private investors and donors. SARS officials also indicated that project costs would be much higher than the original estimates since construction did not begin as expected in May
¶2008.

Disagreements over Project Design

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¶6. (SBU) Progress on the project was also stalled because SAG wanted to develop the passenger facility first in time for the World Cup and to place the commercial cargo facility on South African soil instead of the original plans for all three facilities to be located on shared land. However, the GRM would like to simultaneously develop all of the facilities. The SAG is focused on tourism growth and facilitation because of the World Cup, but the GRM is more economically dependent on cargo trade. Incoming SAG leadership was also skeptical about the GRM's buy-in for the project given its lack of financial contribution.

¶7. (SBU) The GRM is getting more involved with the project to address SAG concerns and is re-examining its budget and alternative funds to see whether it can raise the money required to have more influence on the construction phases. The GRM has approached donors such as the World Bank to see whether they could provide financing for some of the infrastructure. GRM officials still hope that the first phase will be completed by March 2010. However, a meeting of GRM and SAG stakeholders scheduled for June was delayed to July 10 by the South African side. GRM officials expressed frustration that timelines for the other two phases have not been established yet.

Stakeholders Reiterate Commitment

¶8. (SBU) Stakeholders from the GRM, SAG, and private sector toured the sites for the one-stop border project on July 10 and reiterated their support for implementation despite the economic downturn and escalating costs. Cost estimates for the original plan design have reportedly reached R2 billion ($250 million). Stakeholders committed to retaining the objectives of the original design, but agreed to examine more cost-effective approaches. Technical teams from both governments have been tasked to develop cost-saving strategies to be submitted to their respective governments within 30 days.

COMMENT

¶9. (SBU) Both sides remain committed to the development of the one-stop border project, but their respective economic and political priorities differ greatly. The GRM would like to see greater progress on the development of the second and third phases since its economic growth and plans to increase capacity at the Port of Maputo depend heavily on the facilitation of cargo movements between the two countries. The incoming SAG also faces its own set of economic and political constraints. The incoming Zuma administration campaigned on a platform to focus increasingly on domestic economic growth and service delivery, but faces the first major economic recession since the end of the apartheid era. In addition, costs for infrastructure investments for 2010 World Cup-related projects have been rising. The Zuma administration has begun reprioritizing SAG investments to focus on the mandatory domestic projects first.
CHAPMAN